

**EIGHTY-FIFTH GENERAL ASSEMBLY
2013 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

MARCH 1, 2013

HOUSE FILE 245

H-1055

1 Amend House File 245 as follows:
2 1. Page 1, before line 1 by inserting:
3 <Section 1. Section 101B.5, subsection 5, Code
4 2013, is amended to read as follows:
5 5. For each cigarette listed in a certification, a
6 manufacturer shall pay a fee of one hundred dollars to
7 the department. The department shall deposit all fees
8 received pursuant to this subsection with the treasurer
9 of state for credit to the general fund of the state.
10 Sec. _____. Section 101B.8, Code 2013, is amended by
11 adding the following new subsection:
12 NEW SUBSECTION. 10. The department shall deposit
13 any moneys received from civil penalties assessed
14 pursuant to this section with the treasurer of state
15 for credit to the general fund of the state.>
16 2. By renumbering as necessary.

By WORTHAN of Buena Vista

H-1055 FILED FEBRUARY 28, 2013

Fiscal Note

Fiscal Services Division



HF 312 – Manure Application Education Training (LSB 1474HV)
Analyst: Adam Broich (Phone: (515) 281-8223) (adam.broich@legis.iowa.gov)
Fiscal Note Version – New

Description

HF 312 requires the Department of Natural Resources (DNR) to provide online courses for manure application training. Implementation is contingent on a \$250,000 General Fund appropriation by the General Assembly. This provision is repealed if no appropriation is made to the DNR by July 1, 2018.

Background

Individuals must be certified by the DNR to apply manure on land. Currently, persons wishing to be certified as manure applicators must pass an exam or attend a two- or three-hour course. Courses are taught by the DNR or by a department designee, such as Iowa State University Extension. Certification is required each year, and courses are conducted in Iowa State Extension offices or the DNR field offices. The DNR has authority to set the annual fee for education certification. Currently, the fee to participate in education certification is \$25.

Assumptions

Implementation of online courses is contingent on the General Assembly appropriating at least \$250,000 for this purpose. This estimate assumes the General Assembly elects to fund the program. Educational certificate fees are unchanged by this bill, and responsibility for setting them remains with the DNR.

Fiscal Impact

Implementation of **HF 312** will cost \$250,000 in the first year and \$35,000 each year after. Expenditures in the first year include developing a secure website capable of monitoring, tracking, and retaining educational progress, employment records, and personal and business information. The DNR will develop technical training content in an internet accessible format. Expenses in following years include administering the website and managing content. These costs will require minimal staff time, and will be supported by program fees.

Sources

Iowa Department of Natural Resources
Iowa State University Extension

/s/ Holly M. Lyons

February 27, 2013

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



HF 3 – Income Tax, Alternative System for Individuals (LSB 1421YH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 3 creates a dual-system Iowa individual income tax. When filing tax returns for tax years 2013 and beyond, taxpayers will be allowed to choose between the current tax system with nine tax rates, itemized deductions, the federal income tax deduction, and various refundable and nonrefundable credits, and a new system that taxes income at a flat rate of 4.5% and allows very limited deductions. Taxpayers will be allowed to choose one system one tax year and the other system the next tax year. The Bill takes effect on enactment and applies retroactively to tax year 2013 and after.

Characteristics of the Alternative System

- The income tax base is federal Adjusted Gross Income less interest income earned from federal securities and before net operating losses.
- A standard deduction is allowed: \$6,235 for a single individual or married individual filing separately, or \$12,470 for married individuals filing jointly, surviving spouses and head of household returns. The deduction amounts are not indexed for inflation.
- A tax rate of 4.5% would be applied to taxed income. This is equal to base income minus the allowed standard deduction.
- Taxpayers will calculate their tax liability under both systems and choose the system each tax year that produces the lowest State income tax liability.

Assumptions

The Department of Revenue utilized a micro-simulation model to estimate the individual income taxes owed by every taxpayer in Iowa, using actual 2010 tax returns. The tax liability for each tax return was estimated for tax year 2013 through tax year 2017 under the current tax system, and also for the same return under the proposed alternative system. For each tax return, the tax liability that was the lower of the two was used as the tax revenue received by the State under the proposed dual system.

The Department estimate does not provide an adjustment for taxpayers utilizing the ability to choose one system for a tax year and then the other system for the next tax year, potentially benefiting from a two-year tax avoidance strategy.

School districts may impose a surtax on income tax payers residing within the school district. A surtax of up to 20.0% of the taxpayer's income tax liability, prior to refundable credits, is allowed. Statewide, the local option surtax raises an amount equal to 2.7% of Iowa State

individual income tax revenue. For any tax reduction that is not a refundable tax credit, reducing State income taxes owed by Iowa taxpayers reduces the statewide yield of the income surtax by 2.7%.

Fiscal Impact

The alternative dual individual income tax system proposed in HF 3 will reduce taxpayer income tax liability by \$396.5 million for tax year 2013, with a projected reduction of \$469.9 million by tax year 2017. With a minor exception, all individual income tax is deposited to the State General Fund.

The estimated impact on the State General Fund and on the local option income surtax for schools, by fiscal year is contained in the following table.

Fiscal Impacts by Fiscal Year		
in millions of dollars		
	State General Fund Impact	Local Option Income Surtax for Schools
FY 2013	\$ -6.0	\$ -0.2
FY 2014	-412.10	-11.10
FY 2015	-537.00	-14.50
FY 2016	-437.50	-11.80
FY 2017	-458.80	-12.40

Since the proposed dual system allows taxpayers to switch back and forth between tax systems, some taxpayers may find it beneficial to “crowd” federal tax payments and itemized deductions into a tax year where they choose the current tax system that allows those deductions, and then for the following tax year, a tax year where they receive their federal tax refund and have reduced itemized deductions, choose the new flat tax rate system.

In addition, taxpayers with sufficient control of when they receive income could, in a similar fashion, crowd income into every other tax year, with the majority of income received in a year where the new 4.5% tax system is selected, and much less income received in the year the current system is selected.

These tax avoidance strategies will result in those taxpayers owing less in State income taxes over the two tax years than contemplated by the modeling process of the Department of Revenue. To the extent that this tax avoidance process is utilized by taxpayers, the tax reduction for taxpayers and the resulting reduction in income tax and surtax revenue will be larger.

The creation of a new tax form and the related technical work associated with tracking and administering a new dual income tax system will result in additional administrative costs for the Department of Revenue. The Department estimates the costs will exceed \$65,000 per year in FY 2013 and in FY 2014.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

February 28, 2013

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
